

SENATOR V. JOHNSON: In any event, the picture is a pretty simple picture. We are being...our tax law on banks is not adequate, and in addition, we sustained a significant court loss in the United States Supreme Court on our method of taxing banks, and that loss was sustained by a lot of other states, has resulted in very significant refunds being paid to banks and the bottom line hard truth is that banks in this state today are really not paying taxes to the State of Nebraska. Now the banking community has said to the Revenue Committee, well, we are not paying taxes in part because we don't have income. That is not really true. Banks have...some banks have income. In fact, you might have noticed in the Omaha World Herald a few days ago the first quarterly report for I think FirstTier, a big bank in Nebraska. I believe that that showed that the first quarter they had at least \$7 million in net income, I have forgotten the precise figure, but they had income. Banks do have income and banks should be taxed on that income. Well, 717 is a bill that was brought to us by the Governor because he believes banks should be taxed on the income. Now the Governor spent a lot of time dealing with the banking community to try to determine the proper method for imposing a tax on the banks income. Interestingly enough, neither the banking community nor the Governor were able to get together with a clear direction. The Governor knew the tax should be paid. Some bankers thought a tax should be paid. Other bankers thought no tax should be paid and there never was a meeting of the minds. So it fell to the lot of the poor old Revenue Committee to see if they could work out, if they could find a way out of the thicket, a way out of the morass, and what the Revenue Committee did is we hired Richard Kopf, who was the special counsel to the Commonwealth Committee who was familiar with banking practices. He spent quite a bit of time with the banking community and he put together a proposal which the Revenue Committee adopted, which the Department of Revenue favors, and which no banking group favors because there are those who want no change in the law and they can continue not to pay taxes, which would do as following: It would take the existing bank tax law in our state, which has come to us in the form of LB 619, it would add one new feature to LB 619, to cure a little problem that has arisen in that law that banks all acknowledge to be a problem. In addition, it would say that for the year 1986, we really don't expect to collect after refunds any more than \$3 million from the banks. Now that \$3 million figure, incidentally, comes from